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JAPANESE POLITICAL REFORM: IS IT JUST A MIRAGE?

Summary

Japanese politicians, particularly at the national level, may not enjoy much of a vacation this summer. In fact, this could be a rather disquieting period for members of the ruling Liberal Democratic Party as well as the opposition parties. Prime Minister Toshiki Kaifu has indicated that he intends to convene an extraordinary Diet session in late July to consider legislation that would change Japan's electoral system, among other measures.

Aimed at improving the efficiency and the transparency of the current multiseat electoral system, the proposed reforms would reduce the number of seats in the Diet's powerful lower house and make over half of the remainder into single-seat districts. While virtually all political parties would suffer in some form under the new plan, the opposition parties would be especially hard hit. Political analysts maintain that these reforms, if enacted, could bring about a significant transition in postwar Japanese politics.

Although recognizing the probability of strong resistance from the political opposition as well as from within his own party, Mr. Kaifu nevertheless is moving forward to reform the electoral system. The prime minister ultimately may lose his never-secure position of power regardless of what happens to the political reform bill. Ruling party elders have lost patience with Mr. Kaifu, who had been their compromise candidate, propelled to the top slot in August 1989 following the Recruit Co., Ltd. influence-peddling scandal. Party doyens again feel the time is right for their own shots at the premiership when Mr. Kaifu's

term expires in October. By summer's end a different set of players may emerge, possibly forcing Japan's political system to consider a new direction, or -- as often has been the case during the postwar period -- the maneuvering simply may reaffirm the status quo.

Atoning for the Recruit Scandal

When Prime Minister Toshiki Kaifu said early last year that he would stake his administration on enactment of a plan to reform Japan's electoral system, an outside observer might have been struck by his boldness in committing to change a political order that for over 30 years has enabled the Liberal Democratic Party to maintain a firm grip on power. One might wonder why a government leader, particularly one who lacks a solid base of support within his own party, would risk jeopardizing his tenure by trying to overhaul the very political establishment that put him in power. Mr. Kaifu's motivation, in part, may stem from his political background; his mentor, former Prime Minister Takeo Miki, was an early champion of political reform. However, the prime minister's commitment to changing the electoral system appears to have as much, if not more, to do with the unusual circumstances that propelled him to the top leadership position.

Mr. Kaifu, a former education minister and member of a small faction headed by Toshio Komoto, was tapped by ruling party elders in August 1989 to become LDP president and, thus, prime minister in the wake of the LDP's severe trouncing in the previous month's upper house elections and the scandals that forced the successive resignations of Prime Minister Noboru Takeshita and Prime Minister Sosuke Uno within a three-month period. Indicative of the political turmoil brought about by the Recruit Co., Ltd. influence-peddling affair, neither Mr. Uno nor Mr. Kaifu was a faction leader; until then that had been more or less de rigueur for selection as party leader. Mr. Kaifu, who was untainted by Recruit or any other political scandal, served to project the "clean" image that party leaders felt would restore the electorate's confidence in the LDP.

Fertile Ground for Corruption - The Recruit affair highlighted certain aspects of Japan's electoral system that have been fertile soil for corruption throughout the postwar years (see JEI Report No. 10A, March 10, 1989). Specifically, the lower house's multiseat electoral system, wherein three to five candidates are elected to represent each district, requires a candidate to raise extraordinary sums of money to wage what essentially is a personality contest. The money-centered nature of politics in Japan, in turn, has opened the system to abuse over the years in the absence of loophole-proof limits on campaign contributions.

In the Recruit case the parent firm, an information, publishing and job placement conglomerate, had offered between 1984 and 1986 to at least one member of virtually all of the noncommunist parties shares in Recruit Cosmos Co.,

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Ltd. before the real estate subsidiary's stock became available in the over-the-counter market. At that time a company's offering of preflotation shares as a political contribution was neither uncommon nor illegal. However, Recruit's activities gave the appearance of impropriety because of the huge amounts of stock transferred (2 million-plus shares went to approximately 159 people) and the large profits each purchaser realized when the real estate firm went public in 1986. As was later revealed, Hiromasa Ezoe, Recruit's founder and former chairman, strategically targeted these campaign "gifts" in an effort to buy political influence.

A number of senior LDP members were prominent recipients of Recruit Cosmos shares. Those who held cabinet or party leadership positions were forced to resign due to the public outcry over what appeared to be the politicians' greed. The Recruit affair sorely offended Japanese voters' sense of what is just and fair, political commentators maintained. The public, therefore, used the July 1989 upper house elections plus certain prefectural contests to register its distaste for "money politics" -- as exercised by the ruling party in particular -- as well as its opposition to certain LDP-led government policies (see JEI Report No. 32A, August 18, 1989).

Time for Change - The LDP r[illegible]hed a turning point when then Prime Minister Uno was forced to resign in August 1989 to accept responsibility for the ruling party's unprecedented loss of its upper house majority -- which also reflected voter aversion to politically damaging allegations of Mr. Uno's affair with a geisha. The leadership realized that to recoup its losses the ruling party would have to convince the electorate that it was committed to changing its ways. A member of the old guard could not do this if he had been tainted by Mr. Ezoe's aggressive gift-giving strategy.

Mr. Kaifu, a respected politician who had had no dealings with Recruit or alleged liaisons with geishas, thus was plucked from the ranks to lead the party and the nation. At 59 years of age the former education minister also projected a comparatively youthful image that, LDP leaders hoped, would counter opposition party charges that the LDP had become a corrupt old boys' club. (The promotion of "madonna" candidates in the Social Democratic Party of Japan's July campaign had served to underscore the contrast with the LDP's stodgier image.) Moreover, Mr. Kaifu's political tutelage under former Prime Minister Miki made him a credible advocate for changing the business of politics.

What tends to be forgotten, however, is that even before the upper house debacle, the LDP, in an effort to contain damage to the party as a result of the snowballing Recruit scandal, had committed itself to changing the electoral system. Then Prime Minister Takeshita in his New Year's message vowed to make 1989 the year for political reform. He convened a special nongovernmental advisory panel, the Election System Council, to recommend changes to the Public Offices Election Law and the Political Funds Control Law -- the two principal statutes governing campaigning and political fund-raising -- and generally to develop a reform blueprint. Within the ruling party two other bodies were formed to help build a party consensus and develop implementing legislation based on the Election System Council's recommendations. The LDP's Political Reform Headquarters was chaired by avowed reformer Masayoshi Ito; its Research Commission on the Election System was headed by Tsutomu Hata, an up-and-coming Takeshita faction member.

In convening these groups Mr. Takeshita indicated that chief among the possible reforms that might be implemented was a single-seat constituency system to take the place of the multiseat approach. In addition to eliminating wasteful intraparty contests, the single-seat system could help restore some transparency to political fund-raising if central party executives, rather than individual politicians, were in charge of collecting and accounting for the funds, single-seat proponents have emphasized.

Mr. Takeshita may have compounded the LDP's image problem, however, by commenting in a December 1988 news conference that a single-seat system probably could not be implemented "much before the 21st century." In reality this assessment may be sound even today in light of objections from members of both the ruling and the opposition parties. Spoken against the backdrop of the still evolving Recruit influence-peddling scandal, however, the former prime minister's remarks gave the public another reason to question the ruling party's sincerity about abandoning its money-centered approach to politics. Domestic outcry over the Recruit affair only worsened in the ensuing months. By April Mr. Takeshita had little choice but to say he would resign to accept responsibility for the extent of his party's involvement with Mr. Ezoe's company. He formally stepped down in June when party faction leaders agreed to Mr. Uno as his successor.

Kaifu Seizes Political Reform - Soon after winning election to a full two-year term as LDP president in October 1989 (which is when Mr. Takeshita's term would have ended had he stayed in office) Mr. Kaifu declared that reforming Japan's easily corruptible political system would be one of his administration's main goals. He set November 1990 as a target to implement changes; the date corresponded with the 100th anniversary of the Diet.

Most LDP members threw their support behind the new prime minister even though an overhaul of the electoral system probably would mean seat losses for both their party as well as the opposition parties. More important in the short term, ruling party politicians felt, was that the electorate's faith in the LDP's ability to govern be restored before elections for the lower house, regarded as the more powerful of the two Diet chambers. And if that meant rallying around the principle of political reform, that is what they would do. Implementing change was another matter entirely. The unspoken understanding among LDP members was that the negotiating and the dealing typical of most any democratic government's efforts to change its electoral system would occur after the ruling party secured a stable majority in the lower house.

Fitfull Starts and Pitfalls for Political Reform

The Election System Council issued separate reports in 1990 outlining proposed changes for the Diet's lower and upper houses. Its April report has served as the baseline for the LDP's consideration of legislation to implement specific changes in the lower house. Perhaps the most important of the council's proposed reforms was the call to reduce the number of seats in the House of Representatives from 512 to 501. Of these, 301 would be single-seat districts; the remainder would be determined by proportional representation. Thus, each voter would cast two ballots: one for a representative to fill the seat allotted under the single-seat apportionment, the other for a political party. The "proportional" seats would be distributed among the parties according to

the number of votes each received in a particular electoral region. The representative would be whoever topped the cutoff figure on the parties' lists of potential delegates. (This is similar to the current setup for upper house proportional seats.) The panel, however, did not suggest how to divide the country into single-seat constituencies or electoral regions.

The Election System Council maintained that these changes would promote elections based primarily on policy differences among political parties and candidates. They also would obviate the need for expensive personality contests -- at least at the district, if not at the party, level. Political reform advocates have emphasized that changes of this nature would facilitate the transfer of power from one party to another, a key to ensuring a healthier, more responsive political system.[1]

To discourage individuals like Mr. Ezoe from trying to curry favor with members of the party in power -- as well as to rein in politicians who feel the need for bulging campaign chests -- the advisory body also proposed changes to the Political Funds Control Law, which regulates fund-raising. Current law stipulates that a politician must make public the names of contributors who give more than Y1 million ($7,400 at Y135=$1.00) to his or her support organization. Politicians have evaded this requirement by setting up numerous political organizations to absorb donations. Thus, the council recommended that politicians be limited to two fund-raising organizations that would not be required to report the names of contributors of Y1 million ($7,400) and less. If a politician has more than two fund-raising groups, then each of the additional groups would be required to report the names of whoever gave more than Y10,000 ($74). The Election System Council also recommended that parties that garner 1 percent of the votes cast in lower house elections be eligible to receive state subsidies to help defray campaign costs. Currently the government extends no campaign assistance to candidates.

The council's second report in July 1990 focused on how to reform the election process for the upper house, which already features a mix of single seats and proportional representation. Specifically, the group of predominantly private-sector advisers recommended that constituents be allowed to vote either for an individual candidate or for a party when electing the 100 proportional representatives. Under the reform plan winning candidates would be determined on the basis of the number of votes they actually garner, but the votes for their parties would be aggregated to determine how many of a party's candidates succeeded. Now voters cast ballots for a party, which selects winning candidates based on their position on the party's prioritized list.

Concerning the constituencies from which the remaining 152 upper house councillors would be elected, the panel suggested that the number of seats be maintained at the present level but that they be allocated according to population. Some prefectures currently are overrepresented in the House of Councillors. The advisory group proposed that, as a first step, each prefecture be given two upper house seats, with the rest distributed according to population.

While the Election System Council's analysis of the situation in the upper house was awaited anxiously by potentially affected individuals, the lower

[1]Takeshi Sakaki, "Postwar Japanese Politics At A Turning Point," The Japan Foundation Newsletter, XVIII, Nos. 5-6, May 1991.

house plan generally has been of greater interest and concern to politicians and the public because this chamber is more powerful. The House of Representatives selects the prime minister, approves treaties and has the final say on the budget. Upper house activity is not unimportant; concurrence from the House of Councillors is required to enact all nonmonetary legislation. The opposition parties, in fact, have used their unprecedented strength in this chamber since July 1989 to force ruling party concessions on certain issues. The public perception, however, is that the multiseat formula for election to the lower house over the years has spawned corruption and abuses of power; thus, this house should be the initial focus of reform efforts.

LDP Panels Make Suggestions - With the hourglass quickly draining as Mr. Kaifu's November 1990 deadline neared for enactment of electoral reform legislation, the two LDP-appointed reform panels -- Mr. Ito's Political Reform Headquarters and Mr. Hata's Research Commission on the Election System -- unveiled a draft package of measures. Not all the recommendations outlined at the late November 1990 joint meeting paralleled those proposed by the Election System Council; some were more drastic, others less so. Under the ruling party's first draft the number of lower house seats would be cut from 512 to 471, compared to the council's proposed reduction to 501. Three hundred of the lower house's proposed 471 members would be elected from single-seat constituencies, the LDP report suggested, with the other 171 elected according to proportional representation.

The two LDP panels adopted several of the Election System Council's proposals on campaign financing and fund-raising. For example, both concurred that the government should help underwrite campaign expenses and that this money should be distributed to parties based on a formula that takes into account the number of each party's members elected to a Diet house in the previous election as well as the number of votes garnered by each party. While also recommending that the number of political support organizations be curtailed to two for each politician, the LDP committees stopped short of proposing that politicians make public the amount of money collected through these two support bodies. Moreover, in an effort to close the door to further Recruit-type excesses, the LDP draft recommended that any one individual or employee of a business should not be allowed to contribute more than Y1 million ($7,400) at a time through the purchase of political fund-raising tickets. The ruling party panels also said that political organizations should be required to make public at the end of a year documents detailing acquisitions of land, stocks, loans or other assets exceeding Y1 million ($7,400).

Not surprisingly, Mr. Kaifu's deadline for political reform came and went with no Diet action. Despite the LDP panels' best efforts to develop an enactable plan, the November 1990 draft drew such strong criticism from ruling and opposition party members alike that the prime minister never even submitted the plan to the Diet.

Dissension More Pronounced - The opposition parties charged that the reform package drawn up by the LDP panels overwhelmingly favored the ruling party. In its April report the Election System Council had estimated that nearly 97 percent of its proposed lower house single-seat constituencies would be won by the LDP. And while the council had proposed that 60 percent of the House of Representatives members be elected from single-seat districts, the ruling party panels expanded this to about 64 percent. Thus, the opposition parties argued,

the LDP's plan would assure the ruling party of a landslide victory, while the Social Democratic Party of Japan, Komeito and the Japan Communist Party would suffer sizable losses. Moreover, small parties, such as the 24-member Democratic Socialist Party, and single-issue parties would disappear, opposition party politicians contended.

Prime Minister Kaifu also faced dissension within the LDP; as of late last year a reported one-quarter of the ruling party's Diet members objected to the LDP reform plan. Some LDP politicians felt constrained by the proposed restrictions on campaign contributions. The move away from the multiseat system, however, drew the most fire since some electoral districts would be eliminated. Junior LDP members also were concerned that they would be told to run for a proportional seat or in a district where they had no political base. In addition, there was uncertainty as to whether or when a member would be designated an "official party candidate" and if an abundance of money still would be needed, either to campaign to be named a proportional candidate or to campaign for a single seat.

International Troubles Intrude - At about the same time Mr. Kaifu had other controversial issues to get through the Diet, principally how Japan should support the allied forces fighting in the Persian Gulf War. Hampered by his weak domestic base, the prime minister simply did not have the political capital or influence to both galvanize support for a bold new foreign policy initiative and tackle a major overhaul of the electoral system.

In early November before the LDP draft reform plan was released Mr. Kaifu found himself in a predicament. He either could withdraw from the Diet a bill that would have authorized the establishment of an unarmed team of civilian and military personnel to support United Nations-sponsored peacekeeping activities or he could suffer the political humiliation of the bill's defeat. He took the former course, but the withdrawal of the measure was viewed in many LDP circles as just as indicative of the prime minister's political weakness as its trouncing by a Diet vote would have been (see JEI Report No. 44B, November 16, 1990).

Coming on the heels of this contretemps, the sharp attack that greeted the LDP panels' draft reform proposal resulted in the prime minister quickly setting priorities. Political reform was relegated to the back burner, as Mr. Kaifu decided to focus his administration's efforts on developing support within the Diet for a $9 billion contribution to aid allied coalition efforts in the Persian Gulf and, thus, try to appease escalating international criticism that Japan was shirking its responsibilities as a global power (see JEI Report No. 6A, February 15, 1991). Since Mr. Kaifu had staked his political life on electoral reform, highly politicized debates on the issue did not seem a good idea when he was trying to guide Japanese foreign policy in a new direction.

Countdown to Enactment - The end of the gulf war and the conclusion of the 120th regular Diet session, during which legislators enacted three budget bills and a number of other important measures (see JEI Report No. 19B, May 17, 1991), meant that if Mr. Kaifu wanted to push for passage of the political reform plan he would have to call a special session of the Diet. Not long after adjournment the prime minister indicated that he would convene an extraordinary Diet session in late July for the express purpose of considering the political reform package as well as a revised version of the U.N. peace cooperation team legislation.

Senior LDP officials immediately raised roadblocks against the plan to proceed with political reform. LDP secretary general Keizo Obuchi and Policy Affairs Research Council chairman Mutsuki Kato argued that more discussions were needed between top ruling party officials and the two LDP electoral reform panels. Mr. Kaifu, however, insisted that an outline of the bill should be written before the end of June when the terms of the members of the Election System Council were set to expire. The council's continued existence was considered necessary to help draw up maps of single-seat and regional constituencies for the lower house. Such a short time frame, Mr. Kato stressed, was insufficient to draft both the outline of the bill and voting districts.

Mr. Kato's concerns apparently did not sway the prime minister. In a virtual repeat of the November joint meeting of the Political Reform Headquarters and the Research Commission on the Election System, the LDP Executive Council approved at the end of May a draft bill to revamp Japan's political system; for the most part the plan resembled the one that was advanced by the two LDP groups. Mr. Kaifu then instructed Home Affairs Minister Akira Fukita to develop implementing legislation by the end of June. The prime minister followed this up with an early June request to the Election System Council to draw the all-important districting lines in accordance with the ruling party's proposal. Noting the differences between the council's April 1990 proposal and the LDP-approved plan, Mr. Kaifu urged the advisory panel to stick to the ruling party's plan.

The LDP Executive Council's draft appeared to draw as much criticism on all fronts as had its predecessor. To build an interparty consensus on the issue Mr. Obuchi has sought to establish a consultative body of ruling and opposition party representatives. Mr. Kaifu, too, has expressed willingness to meet with senior opposition party officials to promote a more cooperative atmosphere. Support is necessary at the very least from Komeito, which holds the swing votes in the upper house.

Perhaps as challenging as winning opposition party support will be forging a consensus within the ruling party. Mr. Kaifu lost an invaluable reform ally in April when Ichiro Ozawa resigned as party secretary general to assume responsibility for a failed electoral strategy in the Tokyo gubernatorial election (see JEI Report No. 14B, April 12, 1991). Mr. Ozawa last year had pledged his "unreversible resolve" to secure enactment of political reform legislation. With his popularity and political influence he stood a good chance of realizing this goal.

Business Support - The business community recently threw its weight behind political reform, which may, or may not, help the prime minister solidify LDP support for the legislation. Five major business organizations -- Keidanren (Japan Federation of Economic Organizations), Nikkeiren (Japan Federation of Employers' Associations), the Japan Chamber of Commerce and Industry, Keizai Doyukai (Japan Association of Corporate Executives) and Kankeiren (Kansai Economic Federation) -- issued a joint statement in the first part of June calling for early realization of political reform. Speaking on behalf of the groups, Gaishi Hiraiwa, chairman of Keidanren, told Mr. Kaifu that the business community views enactment of electoral reform as its "greatest concern" and that the prime minister had their backing on this issue.

The private sector apparently is concerned that dissension within the LDP will cause paralysis on this issue. The early June statement was at least

the third time business leaders had called for implementation of political reform. Corporate representatives want these changes in part to alleviate the financial burdens they must shoulder in the form of political donations. "Firms must inevitably extend a certain amount of financial support to politicians as the cost of maintaining democracy in our society," Masaya Miyoshi, director general of Keidanren, stated. He added that election and other political expenses should be shared equally among the government, the parties and support groups, of which businesses are members.

Political Ambitions Threaten Kaifu and Political Reform

When the extraordinary Diet session convenes this summer Mr. Kaifu will face virtually the same politically impossible agenda that nearly was his undoing in November: political reform and Japanese participation in U.N.-sponsored peacekeeping activities. Last year he was able to postpone action on one initiative to try to salvage the other; now, four months before his term expires, Mr. Kaifu's political survival is tied closely to electoral reform. He is pushing for action at a time when the political attractiveness of this issue is waning within the LDP. The way many ruling party members see it, the LDP's resounding victories in the February 1990 lower house contests as well as in local assembly and gubernatorial elections this past April indicate that the electorate is willing to forgive the ruling party for the Recruit affair. Thus, in addition to LDP members' concerns about the fund-raising constraints and turf losses that would come with enacting systemic reforms, many simply feel that the ruling party no longer needs to demonstrate its willingness to change its ways.

Mr. Kaifu also is pushing this initiative against an increasingly hostile political backdrop. Ruling party doyens, who selected the politically "clean" former education minister as a stopgap leader to help restore the public's confidence in the LDP, feel Mr. Kaifu has served his purpose. While other faction leaders' designs on the top position have been apparent since early in the prime minister's term (see JEI Report No. 12A, March 23, 1990), maneuvering accelerated this spring.

Party Restiveness - Mr. Ozawa's resignation, for all intents and purposes, has set Mr. Kaifu adrift by cutting his ties with the powerful Takeshita faction, of which the former LDP secretary general is a member. Many analysts say that Mr. Ozawa's association with this group as well as his political savvy and leadership acumen enabled the Kaifu administration to secure enactment of gulf war-related financing legislation and other sensitive measures that required building a coalition with the DSP and Komeito. There is a view that Mr. Ozawa resigned as a means of distancing himself from the stopgap leader. Once a successor to Mr. Kaifu enters office, continues this line of thinking, the former number-two party official would be in a position to hold prestigious cabinet posts as part of a long-term strategy to win election to the top leadership slot.

The LDP ethics committee's late April decision to approve ex-Prime Minister Yasuhiro Nakasone's application to reenter the party (he resigned in 1989 because of his involvement with Recruit) also added a new twist to leadership maneuvering. This action, reportedly orchestrated by Mr. Takeshita, in effect has cleared the way for the reemergence of Recruit-tainted ruling party leaders, including both Mr. Takeshita and Mr. Nakasone as well as former Finance Minister Kiichi Miyazawa and LDP faction chief Michio Watanabe.

These party doyens, who have adhered patiently to the LDP's arcane seniority rules in selecting prime ministers, apparently are worried about restive, younger members, such as Messrs. Ozawa and Hata, who also want a shot at the premiership in the near future. Mr. Kaifu's selection as prime minister upset the normal hierarchical system; it also gave Mr. Ozawa and others hope that they, too, could capitalize on this important break from the past. Mr. Takeshita and his contemporaries feel, however, that the October LDP presidential election offers them a chance to reimpose the party's seniority rules and perhaps to grab the brass ring. The former prime minister, in particular, is said to resent the fact that he was forced to leave his post prematurely due to the Recruit scandal. Although in Japan's postwar political history a former prime minister has never won reelection after having been out of office for a period, Mr. Takeshita appears to have his sights set on breaking tradition.

Openings for Change - The mid-May death after a prolonged illness of former Foreign Minister Shintaro Abe intensified intra-LDP competition to seize the leadership mantle from Mr. Kaifu. Mr. Abe had played a critical behind-the-scenes role in the 1987 selection of Mr. Takeshita as LDP president and, in turn, prime minister. Although Mr. Takeshita had enjoyed the backing of the previous prime minister, Mr. Nakasone, the backroom negotiations characteristic of the LDP leadership selection process included at least one tacit agreement that when Mr. Takeshita left office the leadership baton would go to Mr. Abe in return for the latter's support. The Recruit affair upset this succession, but many ruling party members viewed Mr. Abe as the next in line to succeed Mr. Kaifu. His death, therefore, opened up the contest.

The Takeshita faction wasted little time and indicated the day after Mr. Abe's death that it would not endorse Mr. Kaifu to continue as LDP president after his term expired at the end of October. Some political commentators have suggested that the faction's quick response was designed to achieve two objectives: first, to give Mr. Kaifu a clear signal that he cannot stay in power past October; and second, to restrain moves by other factions. By declaring that it would field a candidate of its own in the next LDP election, the Takeshita faction signaled its intention to support the Kaifu administration until this fall.[2]

In one of the peculiar twists of Japanese politics, however, the man who has been the nominal head of the group since Mr. Takeshita removed himself from the helm following the Recruit affair, Shin Kanemaru, has indicated that the group plans to field either Mr. Ozawa, Mr. Hata or Finance Minister Ryutaro Hashimoto -- members of the LDP "younger generation." Underscoring reports of a falling out between Mr. Kanemaru and Mr. Takeshita is the conflict between Mr. Kanemaru wanting to elevate younger, talented faction members to the premiership -- namely, Mr. Ozawa -- and Mr. Takeshita wanting to retain the option of once again taking the reins of government. This has left the faction that bears the former prime minister's name racked with infighting. Mr. Kanemaru and the former LDP secretary general reportedly are worried that Mr. Kaifu may choose to resign prior to October -- if the political reform initiative fails, for example. Many political observers say that Mr. Kaifu owes his current position to Mr. Takeshita's support in particular. Thus, it would not be unreasonable for Mr. Kaifu to consider stepping down at a time seen as favorable for Mr. Takeshita.

[2]Toshiharu Ando, "Kaifu Appears Positioned To Fill Out Term," Nikkei Weekly, June 1, 1991.

Mr. Abe's death could have an even greater influence on factional politics by precipitating a wholesale realignment of the ruling party's groups. It still is unclear what will become of the Abe faction. Former Foreign Minister Hiroshi Mitsuzuka, who also was head of the Ministry of International Trade and Industry under Mr. Takeshita, assumed leadership the third week of June. Political analysts are skeptical, however, that the Abe group can remain united. Given Mr. Takeshita's close relationship with the late faction chief, the former prime minister no doubt will try to co-opt members of the Abe faction, particularly since his own group is no longer close-knit.

If the Abe group splits or disbands, some observers speculate, the ruling party's equilibrium may be disrupted. Younger members, like Messrs. Ozawa, Hashimoto and/or Hata, might view the disintegration of this faction as an opportunity to break away from the Takeshita group and form their own power centers, possibly drawing support from former Abe allies.

It would appear that the drama of LDP factional politics may not play to Mr. Kaifu's advantage. The outlook for the prime minister, the Abe faction and the ruling party in general will become clearer as the summer unfolds. Some analysts have suggested that as long as Mr. Kaifu can keep the Diet debate focused on political reform it will be harder for Recruit-tainted members to engage in precisely the sort of wheeling, dealing and self-promotion that rankled the electorate in July 1989 into voting against returning a LDP majority to the upper house.[3] However, the prime minister's political weakness may make it hard for him to even convene the special session, let alone orchestrate debate on an issue that does not enjoy broad support.

Socialists Grapple With Their Own Reform Needs

When the Social Democratic Party of Japan convenes a special two-day session in early July its members will have more pressing matters on their agendas than the LDP's plan to reform the political system, even though the plan clearly would hurt the SDPJ. For one, forming a strategy to undermine enactment of the reforms would not be too difficult to develop and carry out. The Socialists simply would have to work with the other opposition parties, which face potentially greater losses than the SDPJ does under the LDP plan, and use the majority they enjoy in the Diet's upper house to block passage of the legislation. Even if the LDP is able to get the reform legislation through the lower house, it would have to build a bridge to Komeito to get the bill passed by the upper chamber. At this stage that scenario appears problematic due to Komeito's stated opposition to political reform as well as the prime minister's political problems. Most commentators expect that the opposition parties will use their upper house majority to fight the reform initiative.

What appears to be of greater concern to SDPJ members is the outlook for their own party. After weeks of speculation SDPJ chairperson Takako Doi announced the third week of June that she was resigning as the party's standard-bearer to take responsibility for the Socialists' trouncing in recent local elections. Although the SDPJ realized unprecedented gains in the July 1989 upper house elections, the party has been unable to match this performance at the polls since that time.

[3]Itaru Oishi, "Reform Issue Falls Victim To Faction Expediency," Japan Economic Journal, April 27, 1991.

In last year's February elections for the 512-seat House of Representatives the SDPJ picked up 58 new seats, increasing its tally there to 141 from 83. However, the Socialists did not realize the gains they had hoped; in at least 36 races considered to be close, for example, the ruling party candidate edged out the SDPJ competitor. In addition, the seats won were at the expense of other opposition parties. Analysts have attributed this less than stellar outcome to a number of factors that previously had limited the Socialist Party's political influence and hampered its ability to mount an effective challenge to the LDP: poor electoral strategy, lack of policy coherence, ideological fuzziness and internal divisiveness (see JEI Report No. 12A, March 23, 1990).

Last April's local elections, in which the SDPJ failed to garner even 10 percent of the Tokyo gubernatorial vote and lost 98 prefectural assembly seats, drove home to the party leadership as well as the rank and file the need for change (see JEI Report No. 14B, April 12, 1991). The Socialists realized that they had not conveyed to the electorate a vision of how the SDPJ could lead the country better than the LDP on the broad range of political and economic issues confronting the country.

Ms. Doi, although still a charismatic figure in Japanese politics, was singled out by her colleagues for attack. Many SDPJ members apparently felt that the former constitutional law professor should be removed from the helm because the views she espoused were out of touch with Japan's conservative, prosperity-oriented middle class. As a member of the party's left wing, Ms. Doi tended to exhort an ideology rooted in Marxism. More conservative SDPJ members point out that the average Japanese no doubt sees the moves in Eastern Europe and the Soviet Union away from the teachings of Karl Marx and wonders what relevance similar theories could have to current political and economic conditions in Japan or anywhere else.

At the July convention the Socialists are expected to review ways in which they might adapt their platform to new domestic and international conditions. In a late May speech before the annual meeting of the Japan America Society of Chicago Ms. Doi acknowledged that the SDPJ's political "soul-searching" process could be arduous. She explained that the diversity within the party will complicate debates concerning its future direction. "The Socialist Party is not monolithic," she stated. "It is a diversified political party encompassing a wide range of political persuasion, from those who are close to the Liberal Democrats on the right to those who are close to the Communists on the left . . . it takes a great deal of patience to formulate a consensus from all these different views."

Outside observers concur, pointing out that when Ms. Doi was elected party chairperson in 1986 SDPJ members selected Tsuruo Yamaguchi, who is right of center, as secretary general to balance the leadership.[4] Analysts also emphasize, however, that the Socialist Party, despite talk of unity, has yet to pull together. One reason why the opposition parties have been unable to develop a more formal coalition to challenge the ruling party is because of the stubborn, diverse elements within the SDPJ.

[4]Itaru Oishi, "Left, Right Wings Gird To Battle SDP Helm," Japan Economic Journal, April 25, 1991.

With the ruling party increasingly developing closer ties with Komeito and the DSP -- effectively isolating the Socialist Party and exacerbating its efforts to build an opposition coalition -- SDPJ members certainly have an incentive at their July conference to put differences aside and adopt a platform that is more appealing to the electorate. The question is whether the party's desire to lead the country is sufficient to force acceptance of some difficult changes by its disparate membership. The SDPJ's efforts to date to transform itself into a "ruling party" suggest that its years as the "permanent opposition" may have what some analysts have termed an enervating impact on the Socialists.[5]

Outlook

The Recruit affair highlighted problems in Japan's electoral system and loopholes in its fund-raising laws. The conventional wisdom following the July 1989 upper house elections was that both the system and the business of politics in Japan had to be changed for the LDP to maintain its grip on power. Some analysts felt that the SDPJ's gains in the February 1990 lower house contests, although not as impressive as in the House of Councillors, nevertheless represented the public's view that the LDP should be reined in a bit more.[6] Some questioned whether there was hope for even broader change that would lead to a viable two-party system.

The ruling party's successes at the polls since that time as well as its rising support ratings have lessened LDP members' urgency to rectify systemic problems as a means of making amends with the public. Virtually every politician from every party has some vested interest in maintaining the current electoral system, particularly in the lower house. At the same time politically ambitious LDP members are growing restive and want a change at the top.

Even a politically strong prime minister might be daunted by trying to enact a comprehensive overhaul of the electoral system against this backdrop. Mr. Kaifu, who owes his seat of power to an unusual series of events, probably will not be successful in enacting political reform on his own. Although the prime minister might be able to get this legislation through the lower house with the support of some of the major faction heads, that support may not be there to help him build the LDP-opposition coalition necessary to secure passage in the upper chamber. LDP faction leaders, in fact, might predicate their assistance on political reform on Mr. Kaifu's agreeing to remove himself from the leadership race in October and throwing his support behind one or the other factions' choices.

With political reform, one observer noted, the ruling party has a chance to "[pave the way] out of the narrowness and shallowness of the present and toward a new politics of breadth and depth."[7] In view of the behind-the-scenes

[5]Gerry Curtis, The Japanese Way of Politics (New York, New York: Columbia University Press, 1988), p. 123.

[6]Yukio Suzuki, "Perceptions Must Change," The Japan Times, March 6, 1990.

[7]Sakaki, op. cit.

maneuvering to seize the reins from Mr. Kaifu, it would appear that LDP members would rather revert to the pre-Recruit days than change the way they conduct the business of politics. The SDPJ appears even less willing and able to transform itself. The summer months hold the potential for important political changes, but reaction so far in Japan appears to be treating that potential as a mirage.

For further information, contact Barbara Wanner.

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The views expressed in this report are those of the author and do not necessarily represent those of the Japan Economic Institute.

APPENDIX

Upper House Party Alignment, June 1991

Party	Seats
Liberal Democratic Party	114
Social Democratic Party of Japan	73
Komeito	20
Japan Communist Party	14
Rengo	12
Democratic Socialist Party	10
Minor Parties	4
Independents	4
Total	251

Note: One seat is vacant.

Lower House Party Alignment, June 1991

Party	Seats
Liberal Democratic Party	279
Social Democratic Party of Japan	139
Komeito	46
Japan Communist Party	16
Democratic Socialist Party	14
Rengo	0
Minor Parties	5
Independents	5
Total	504

Note: Eight seats are vacant.

Liberal Democratic Party Factions

	Lower House	Upper House	Total
Noboru Takeshita*	69	37	106
Shintaro Abe	64	26	90
Kiichi Miyazawa	62	20	82
Michio Watanabe	50	20	70
Toshio Komoto	24	7	31
Independent	10	4	14
Total	279	114	393

*To accept responsibility for the involvement of some LDP members in the Recruit Co., Ltd. bribery scandal, Noboru Takeshita resigned in the spring of 1989 as prime minister and LDP president. At this time he also stepped down as head of his faction, although it still bears his name. Shin Kanemaru now leads the Takeshita faction.

Source: Japan Economic Journal, May 25, 1991.

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